

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 90-551-W - ORDER NO. 91-221
MARCH 18, 1991

IN RE: Application of Southland Utilities, Inc.,)	
for Approval of New Schedule of Rates and)	ORDER APPROVING
Charges for Water Service Provided to)	RATES AND CHARGES
Creekwood and Cedarwood Subdivisions in)	
Lexington County, South Carolina.)	

This matter is before the Public Service Commission of South Carolina (the Commission) on the application of Southland Utilities, Inc. (the Company) for approval of a new schedule of rates and charges for water service provided to its customers in the Creekwood and Cedarwood Subdivisions of Lexington County, South Carolina. The Company's September 28, 1990, application was filed pursuant to S.C. Code Ann. 58-5-240 (Supp. 1990) and R. 103-821 of the Commission's Rules of Practice and Procedure.

By letter dated October 15, 1990, the Commission's Executive Director instructed the Company to publish a prepared Notice of Filing, one time, in a newspaper of general circulation in the area affected by the Company's application. The Notice of Filing indicated the nature of the Company's Application and advised all interested parties of the manner and time in which to file appropriate pleadings. The Company submitted an affidavit indicating that it had complied with this instruction.

The Company was also instructed to directly notify all

customers affected by the proposed rates and charges. By letter dated October 30, 1990, the Company indicated that it had served a copy of the Notice of Filing on all customers affected by the rates and charges proposed in its application. A Petition to Intervene was filed on behalf of Steven W. Hamm, the Consumer Advocate for the State of South Carolina (the Consumer Advocate).

The Commission Staff (Staff) made on-site investigations of the Company's facilities, audited the Company's books and records, and gathered other detailed information concerning the Company's operations. The Consumer Advocate also conducted discovery related to the Company's application.

On January 17, 1991, beginning at 10:30 A.M., a public hearing concerning the matters asserted in the Company's application was held in the Commission's hearing room. Pursuant to S.C. Code Ann. §58-3-95(Supp. 1990), a panel of three Commissioners, Commissioner Frazier, Commissioner Yonce, and Commissioner Bowers, were designated to hear and rule on this matter. Mitchell M. Willoughby, Esquire, and Rex L. Carter, Esquire, represented the Company; Carl F. McIntosh, Esquire, represented the Consumer Advocate; and Sarena D. Burch, Staff Counsel, represented the Commission Staff. Ms. Connie Brock appeared as a Protestant. Kenneth M. Deaver, Regional Director of Operations for the Company's parent corporation, Utilities, Inc., and Carl J. Wenz, Director of Regulatory Accounting for Utilities, Inc. testified on behalf of the Company. Raymond C. Sharpe, Public Utilities Rate Analyst, for the Commissions's Utilities Division, and Lynn U.

Ballentine, an accountant with the Administration Division of the Commission, presented testimony on behalf of the Staff. The Consumer Advocate did not present any testimony. Ms. Brock gave a statement on behalf of the Creekwood Homeowners' Association.

Upon full consideration of the Company's application, the evidence presented at the hearing, the applicable law, and the Commission's prior orders, the Commission makes the following findings of fact and conclusions of law.

FINDINGS OF FACT

1. The Company is a wholly-owned subsidiary of Utilities, Inc. Through the operation and management of several subsidiaries Utilities, Inc. engages in the water and sewer utility service in twelve states. Carolina Water Service, Inc. is one of Utilities, Inc.'s subsidiaries. The Company does not have any of its own employees. Carolina Water Service supplies the Company with employees. Wenz testimony.

2. Water Service Corporation is the "service corporation" for Utilities, Inc. Water Service Corporation hires Utilities, Inc.'s and its subsidiary's employees and manages all employment matters such as the payment of salaries, wages, and other benefits for Utilities, Inc. and its subsidiaries. Wenz testimony.

3. The Company provides water service to 180 homes in the Creekwood and Cedarwood subdivisions of Lexington County, South Carolina. Wenz testimony.

4. The Company's present rates and charges were approved by Order No. 87-907 issued on August 24, 1987, in Docket No. 87-146-W.

Wenz testimony.

5. The Company's proposed rates would increase the monthly Basic Facility Charge by \$.50 per unit and the monthly Commodity Charge by \$.30 per 1,000 gallons. The Company proposes to increase the one time Customer Account Charge from \$23.00 to \$25.00. These proposed rates and charges would apply to the Company's residential and commercial customers. These proposed rates and charges would increase an average customer's monthly bill by \$2.60. This is an increase of 11.52%. Hearing Exhibit 4.

6. The Company asserts its requested rate increase is necessary in order to employ certified water operators, to compensate the Company for capital improvements made to comply with South Carolina Department of Health and Environmental Control permitting standards, and to provide quality water service. Deaver testimony.

7. The Company proposes that the appropriate test year upon which to consider its requested increase is the twelve month period ending December 31, 1989. Wenz testimony.

8. Under its presently approved rates, the Company states that its operating revenues for the test year, after accounting and pro forma adjustments, are \$48,318. The Company seeks an increase in its rates and charges for water service in a manner which would increase its operating revenue by \$5,674.¹ Wenz testimony; Hearing Exhibit 2. Under the Company's presently approved rates,

1. Staff calculated the proposed increase would increase the Company's revenues by \$5,589.

the Staff found that the Company's per book operating revenues for the test year were \$48,792 and that after accounting and pro forma adjustments, the operating revenues were \$49,099. The Staff proposed a \$307 adjustment to operating revenues. Staff concluded the Company should have collected \$307 more revenue based on customer consumption and billing data for the test year. Staff's revenue adjustment had the effect of increasing operating taxes by \$59. Hearing Exhibit 4.

9. The Company asserts that under its presently approved rates, its operating expenses for the test year, after accounting and pro forma adjustments, were \$41,936. Hearing Exhibit 2. The Staff concludes that the Company's operating expenses for the test year after accounting and pro forma adjustments were \$39,006. Hearing Exhibit 4. The Staff made this proposal after making the following adjustments to the Company's expense accounts:

(A) Salaries and Wages

The Staff annualized all salaries and wages to reflect salaries as of August 15, 1990. The Staff made adjustments to the Company's salary and wage account to reflect the actual salary and wage expenses from Carolina Water Service Inc. and Water Service Corp. which should be allocated to the Company's salary and wage expenses. Additionally, the Staff corrected a mathematical error in the Company's allocation of salaries and wages from Water Service Corporation. The Company's adjustments to salaries and wages increased operating and maintenance expenses by \$2,349 while Staff's adjustments to salaries and wages had the effect of

increasing the Company's operating and maintenance account by \$1043. The increases to this expense account consequently reduced the Company's operating taxes by \$402, according to the Company, and \$150, according to the Staff.

(B) Pension & Benefits and Health Insurance

The Staff disallowed the Company's claimed expenses for Water Service Corp.'s "Wellness Program." The Staff also adjusted the Company's pension expense for those salary and wage expenses the Staff had disallowed from the salaries and expenses attributed from Carolina Water Service, Inc. and Water Service Corporation. Additionally, the Staff corrected a mathematical error on a portion of the health insurance expense that was allocated from Water Service Corporation. In comparison to the Company's adjustments, Staff's adjustments had the net effect of increasing the Company's general expenses by \$116. Staff's adjustments had a corresponding net effect of decreasing operating taxes by \$30.

(C) Depreciation

Staff disallowed the Company's depreciation for two vehicles used by and for Land & Lab, an unrelated business housed in Carolina Water Service's building. Staff also disallowed depreciation on the following plant items which had been allocated from Water Service Corporation to the Company as an expense: (1) a swimming pool located in Illinois; (2) 1/6th of a building in Illinois, used for Water Service Corp.'s "Wellness Program"; (3) fitness equipment; (4) blood pressure machine; and (5) expenses for a professional decorator. Removal of these items from plant

reduced the Company's depreciation expenses attributed to these assets. Finally, Staff subtracted the per books depreciation expense from the total annualized depreciation figure. Staff's adjustments had the net effect of reducing the Company's depreciation adjustment by \$2685 and increasing the Company's operating taxes by \$517.

(D) Tax Related Items

(1) Amortization of Investment Tax Credit. Staff removed the expense for amortization of investment tax credit because this account did not exist on the Company's books. This adjustment had the effect of reducing the Company's operating taxes by \$107.

(2) Property Taxes. Staff removed the property taxes related to a truck used exclusively in North Carolina, and to the two vehicles driven by employees of Land & Lab. These adjustments had the effect of reducing operating taxes by \$4.

(3) Payroll and Property Taxes. Although the Company and Staff proposed to adjust property taxes, Staff took the income tax effect of this adjustment while the Company did not. Additionally, Staff corrected an error in the Company's South Carolina unemployment tax computation. The Company's adjustments increased its operating taxes by \$1,647; Staff's adjustments increased the Company's operating taxes by \$1,253.

(E) Interest Related Items

(1) Interest Expense for Rent. The Company and Staff both proposed to remove the interest expense charged as rent for Water Service Corporation assets. Staff contends the Company removed

\$121 as interest expense in error. The elimination of this expense had a corresponding increase to the Company's operating taxes.

(2) Interest Expense for Computer. The Company and Staff both propose to remove the interest expense charged as computer operations of Water Service Corporation. Staff contends the Company removed \$489 too much in error. The elimination of this expense had a corresponding increase to the Company's operating taxes.

(3) Interest Expense for Employee Benefits. Staff proposed to remove the interest expense charged as employee benefits. This adjustment decreased the Company's general expenses by \$43 and increased the Company's operating taxes by \$8.

(F) Well Repair

Staff removed \$230 of expenses related to a well in Stonegate Subdivision. This increased operating taxes by \$44.

(G) Interest on Customer Deposits

Staff proposed to annualize interest on the Company's customer deposits. This adjustment had the result of increasing interest expense on customer deposits by \$10 and reducing operating taxes by \$2.

(H) Expenses Related to Rate Case

The Company estimated that its expense for the current rate case would be \$4,750. In its adjustments to the Company's books, Staff proposed to disallow this current rate case expense because the expense was not known and measurable. Hearing Exhibit 4, Exhibit A-1. Staff agreed with the Company's proposal to allow the

previously amortized expenses of the Company's prior rate case which was still on the Company's books.²

(I) Uncollectible Accounts

Both the Company and Staff normalized the Company's uncollectible accounts to determine uncollectibles over the test year. While the Company's normalization did not alter its general account, Staff's normalization resulted in a \$3 increase to the Company's general expense account and a corresponding \$1 decrease to the Company's operating taxes.

(J) Interest Synchronization

Both the Company and Staff proposed to recognize the tax effect of the interest paid by the Company during the test year. Staff computed the tax effect of the Company's interest using its adjusted rate base while the Company based its interest synchronization on the actual interest it paid during the tax year. The Company's adjustment reduced its operating taxes by \$161; Staff's adjustment reduced the Company's operating taxes by \$73.

(K) Income Tax "True Up"

Staff adjusted the income tax effect of its other adjustments. The resulting tax effect of these adjustments reduced operating taxes by \$735. The Company also adjusted the income tax effect of its other adjustments. The resulting tax effect of these adjustments reduced operating taxes by \$1,089.

2. Apparently sometime after the hearing in this matter, the Commission allowed the Company to submit records of its actual rate case expenses.

(L) Customer Growth

Staff reduced customer growth by \$3.00. The Company increased the customer growth factor by \$51.00. The difference in these calculations rests with the difference in the Company's and Staff's net income calculations.

(M) Gross Receipts Tax

Staff recomputed the gross receipts tax based on the adjustments it made to the Company's revenue and adjusted the Company's gross receipts tax based on the current gross receipts tax factor. Staff's adjustment reduced the Company's operating taxes by \$15. The Company did not make any adjustments to its gross receipts tax.

10. The Company stated that, after accounting and pro forma adjustments to its operating revenues and operating expenses, its net income for return was \$6,433. Hearing Exhibit 2. Staff found that, after accounting and pro forma adjustments to the Company's operating revenues and operating expenses, the Company's net income for return was \$10,121. Hearing Exhibit 4.

11. The Company asserted that, after accounting and pro forma adjustments, its present operating margin is -1.3%. Hearing Exhibit 2. After making its accounting and pro forma adjustments, Staff concluded that the Company's present operating margin is 8.72%. Hearing Exhibit 4.

12. The Company contends that its proposed increase in rates and charges would raise its operating margin to 5.76%. Hearing Exhibit 2. Staff concludes that the Company's proposed increase in

rates and charges would increase the Company's operating margin to 15.95%. Hearing Exhibit 4.

13. Ms. Brock, Secretary of the Creekwood Homeowners' Association, testified that while she was not concerned about the rate increase presently proposed by the Company, she was concerned about the effect of the combination of the proposed increase and the rate increase granted in 1987. Ms. Brock testified that after the 1987 rate increase the Company had corrected water pressure problems. Ms. Brock further testified that she had no problems with the quality of the Company's water or with the Company's service. Brock testimony.

14. Mr. Sharpe testified that after its last approved rate increase the Company corrected its problems with low water pressure. He further testified that during the two years before the test year and during the test year the Company had received three complaints in regard to its billing. Sharpe testimony.

CONCLUSIONS OF LAW

1. The Company is a water utility providing water service in its service area within South Carolina. The Company's operations in South Carolina are subject to the jurisdiction of the Commission pursuant to Section 58-5-10, et seq. (1976).

2. A fundamental principle of the ratemaking process is the establishment of a historical test year as the basis for calculating a utility's rate base and, consequently, the validity of the utility's requested rate increase. While the Commission considers a utility's proposed rate increase based upon occurrences

within the test year, the Commission will also consider adjustments for any known and measurable out-of-test-year changes in expenses, revenues, and investments and will also consider adjustments for any unusual situations which occurred in the test year. See, Parker v. South Carolina Public Service Commission, 280 S.C. 310, 313 S.E.2d 290 (1984), citing City of Pittsburgh v. Pennsylvania Public Utility Commission, 187 Pa.Super. 341, 144 A.2d 648 (1958); Southern Bell v. The Public Service Commission, 270 S.C. 590, 244 S.E.2d 278 (1978).

In light of the fact that the Company proposes that the twelve-month period ending December 31, 1989, is the appropriate test year and Staff has audited the Company's books for the 1989 test year, the Commission concludes that the twelve-month period ending December 31, 1989, is the appropriate test year for the purposes of this rate request.

3. The Commission concludes that the Staff's \$307 adjustment to the Company's operating revenues is appropriate. Staff's adjustment recognizes that the Company should have received \$307 more in revenue from its water customers. Accordingly, the Commission finds that the appropriate revenues for the Company for the test year under the present rates and after accounting and pro forma adjustments are \$49,099.

4. The Commission also concludes that Staff's adjustments to the Company's operating expenses are appropriate. The Commission makes this conclusion based upon the following legal principles and reasoning:

(A) Salaries and Wages Expenses
Pension & Benefits Expenses
Health Insurance Expenses

Staff appropriately allocated a portion of the salaries and wages of employees of Carolina Water Service, Inc. and Water Service Corporation to the Company. The Commission concludes that a portion of the work performed by these employees benefited the Company's ratepayers and that the salaries and wages of these employees for work which benefited the Company's ratepayers should be included as expenses to the Company's ratepayers. In disallowing a portion of the claimed salaries and wages expense of employees of Carolina Water Service, Inc. and Water Service Corporation, the Staff correctly adjusted the pension expenses allocated to the Company.

The Commission accepts the mathematical corrections made by Staff in regard to salaries and wages expense and health insurance expense. Finally, Staff properly disallowed the Company's claimed expense for Water Service Corporation's "Wellness Program" because this health awareness program does not benefit the Company's ratepayers. [The Commission noted the Consumer Advocate's concern about allocating a portion of Utilities, Inc.'s corporate officers' salaries to the Company. The Commission concludes that it was proper for the parent company to allocate a small percentage of its corporate officers' salaries to its wholly-owned subsidiary.]

(B) Depreciation and Well Repair Expenses

Staff proposed to disallow depreciation expense for two vehicles used by and for an unrelated business housed in Carolina

Water Service's building, a swimming pool used by employees of Water Service Corporation, a building attributed to the use of Water Service Corporation's "Wellness Program," fitness equipment, a blood pressure machine, and decorator expenses for an office of Water Service Corporation. Additionally, Staff proposed to disallow the expenses for repair to a well in Stonegate Subdivision. The Commission finds that each of these proposed disallowance is appropriate because none of the assets or improvements benefited the Company's ratepayers.

(C) Tax Related Expenses

The Commission concludes that the Staff properly disallowed amortization of investment tax credit since the Company did not actually have this account on its books. Staff appropriately disallowed property taxes for a truck used exclusively in North Carolina and for the vehicles used by a business housed in Carolina Water Service, Inc.'s building because these vehicles were not used for the benefit of the Company's ratepayers. Staff properly adjusted the Company's property taxes and considered the income tax effect of the adjustment and corrected a mathematical error in the Company's calculation of its South Carolina unemployment tax. Finally, Staff correctly recomputed the Company's gross receipts tax based on its adjustments to revenue and in consideration of the current gross receipts tax factor.

(D) Interest Related Expenses

The Staff properly removed the interest expense allocated to the Company's ratepayers as rent charged for use of Water Service

Corporation's assets, interest expense charged to the Company's ratepayers for computer operations of Water Service Corporation, and interest expense charged on employee benefits. As a general rule, for ratemaking purposes the Commission refuses to allow interest expense to be included in the operating expenses of a utility and instead requires interest expense to be charged as a shareholder expense. The Commission concludes that this is a proper policy to follow in this rate application.

(E) Interest on Customer Deposits

The Commission finds that Staff's proposal to annualize interest on customer deposits is appropriate. The Commission adopts Staff's proposal to bring interest on customer deposits up to the end of the test year.

(F) Expenses Related to Rate Case

The Commission concludes that the Staff properly disallowed the Company's estimated rate case expenses as the expenses were not known and measurable. The Company's records of its actual rate case expenses were not submitted at the hearing on this matter and, therefore, are not a part of the record before the Commission. Accordingly, the Commission adopts Staff's proposal to disallow the Company's estimated expenses associated with this rate case. See S.C. Code Ann. §58-5-240(H) (Supp. 1990) "[C]ommission's determination of a fair rate of return must be documented fully in its findings of fact and based exclusively on reliable, probative, and substantial evidence on the whole record."

(G) Customer Growth

The Staff proposed to record the effects of customer growth using the formula previously approved by the Commission to calculate the customer growth at \$3. The Commission finds this adjustment appropriate for ratemaking purposes.

(H) Minor and Other Correcting Adjustments

The Commission accepts Staff's normalization of uncollectibles over the test year, Staff's proposal to synchronize interest based upon its computation of the Company's adjusted rate base, and Staff's adjustment for the income tax effect of its other adjustments. The Commission finds that these adjustments are appropriate for ratemaking purposes.

Accordingly, the Commission concludes that the Company's appropriate operating expenses for the test year after pro forma and accounting adjustments were \$39,006.

5. Based on the above determinations concerning the accounting and pro forma adjustments to the Company's revenues and expenses, the Commission concludes that net income for return was as follows:

TABLE A
NET INCOME FOR RETURN

BEFORE RATE INCREASE

Operating Revenues	\$49,099
Operating Expenses	<u>39,006</u>
Net Operating Income	10,093
Customer Growth	28
Net Income for Return	<u>10,121</u>

6. Under the guidelines established in the decisions of Bluefield Water Works and Improvement Co. v. Public Service Commission of West Virginia, 262 U.S. 679 (1923), and Federal Power Commission v. Hope Natural Gas Co., 320 U.S. 591 (1944), this Commission does not ensure through regulation that a utility will produce net revenues. As the United States Supreme Court noted in Hope, a utility "has no constitutional rights to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures." However, employing fair and enlightened judgment and giving consideration to all relevant facts, the Commission should establish rates which will produce revenues "sufficient to assure confidence in the financial soundness of the utility and . . . that are adequate under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties." Bluefield, supra, at 692-693.

7. There is no statutory authority prescribing the method which this Commission must utilize to determine the lawfulness of the rates of a public utility. For a water utility whose rate base has been substantially reduced by customer donations, tap fees, contributions in aid of construction, and book value in excess of investment, the Commission may decide to use the "operating ratio" and/or "operating margin" method for determining just and reasonable rates. The operating ratio is the percentage obtained by dividing total operating expenses by operating revenues; the

operating margin is determined by dividing the net operating income for return by the total operating revenues of the utility. This method was recognized as an acceptable guide for ratemaking purposes in Patton v. South Carolina Public Service Commission, 280 S.C. 288, 312 S.E.2d 257 (1984).

The Commission concludes that use of the operating margin is appropriate in this case. Based on the Company's gross revenues for the test year, after accounting and pro forma adjustments under the presently approved schedules, the Company's operating expenses for the test year after accounting and pro forma adjustments, and customer growth, the Company's present operating margin is as follows:

TABLE B
OPERATING MARGIN

BEFORE RATE INCREASE

Operating Revenues	\$49,099
Operating Expenses	<u>39,006</u>
Net Operating Income	10,093
Customer Growth	<u>28</u>
Total Income for Return	<u>10,121</u>
Operating Margin (After Interest)	8.72%

8. The Commission is mindful of the standards delineated in the Bluefield decision and of the need to balance the respective interests of the Company and of the consumer. It is incumbent upon this Commission to consider not only the revenue requirements of the Company but also the proposed price for the water service, the quality of the water service, and the effect of the proposed rates

upon the consumer. See, Seabrook Island Property Owners Ass. v. S.C. Public Service Commission, Op. No. 23351 (Filed Feb. 25, 1991); S.C. Code Ann. Section 58-5-290 (1976).

9. The three fundamental criteria of a sound rate structure have been characterized as follows:

...(a) the revenue-requirement or financial-need objective, which takes the form of a fair return standard with respect to private utility companies; (b) the fair-cost apportionment objective which invokes the principle that the burden of meeting total revenue requirements must be distributed fairly among the beneficiaries of the service; and (c) the optimum-use or consumer rationing under which the rates are designed to discourage the wasteful use of public utility services while promoting all use that is economically justified in view of the relationships between costs incurred and benefits received.

Bonbright, Principles of Public Utility Rates (1961), p. 292.

10. The Commission has carefully balanced the concerns for the customer, as represented by Ms. Brock, with the competing interests of the Company and concludes that the Company's proposed rates and charges are just and reasonable. Although Ms. Brock stated she was concerned about the total effect of the Company's rate increases since 1987, she indicated that she was not concerned about the present request for a rate increase. Moreover, Ms. Brock stated that the Company had corrected problems with the water pressure and that the Company was providing good water and service.

11. Furthermore, the Commission recognizes the Company's obligation to meet increasing regulatory standards and that in order to meet these standards, additional revenue is necessary to make capital improvements and to employ certified operators. The Commission finds that the need to meet the increased regulatory standards justifies the increase on an average customer bill of 11.52%.

12. Accordingly, the Commission finds that the Company should have the opportunity to earn a 15.95% operating margin. As indicated by Table C, based on the Company's operating expenses, it is necessary for the Company to produce \$54,688 in annual operating revenues in order to have a reasonable opportunity to earn a 15.95% operating margin.

TABLE C
OPERATING MARGIN
AFTER RATE INCREASE

Operating Revenues	\$54,688
Operating Expenses	<u>40,166</u>
Net Operating Income	14,522
Customer Growth	<u>41</u>
Total Income for Return	<u>14,563</u>
Operating Margin (After Interest)	15.95%

13. Therefore, the Commission hereby approves the proposed rates and charges submitted by the Company as a just and reasonable manner in which to produce and distribute the increased revenues which are necessary to provide the opportunity to earn the approved operating margin.

14. Accordingly, it is ordered that the rates and charges attached on Appendix A are approved for service rendered on or after the date of this Order. The schedule is hereby deemed to be filed with the Commission pursuant to S.C. Code Ann. §58-5-240 (1976).

15. It is ordered that should the approved schedule not be placed in effect until three (3) months after the effective date of this Order, the approved schedule shall not be charged without written permission of the Commission.

16. It is further ordered that the Company maintain its books and records for water operations in accordance with the NARUC Uniform System of Accounts for Class B and C Water Utilities, as adopted by this Commission.

17. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)

SOUTHLAND UTILITY COMPANY, INC.

Docket No. 90-551-W - Order No. 91-221
March 18, 1991
Appendix A

MONTHLY CHARGES

Gallon Meters:

Basic Facilities Charge:
Residential - Monthly charge per
single-family house, condominium,
mobile home or apartment unit: \$ 7.00 per unit

Commodity Charge: \$2.60 per 1,000 gals.

B.F.C. - Commercial \$ 7.00 per SFE

Commodity Charge: \$2.60 per 1,000 gals.

Cubic Foot Meters:

Basic Facilities Charge:
Residential - Monthly charge per
single-family house, condominium,
mobile home or apartment unit: \$ 7.00 per unit

Commodity Charge: \$2.60 per 1,000 gals.

B.F.C. - Commercial \$ 7.00 per SFE

Commodity Charge: \$2.60 per 1,000 gals.

Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

When, because of the method of water line installation utilized by the developer or owner, it is impractical to meter each unit separately, service will be provided through a single meter, and consumption of all units will be averaged; a bill will be calculated based on that average and the result multiplied by the number of units served by a single meter.

2. NON-RECURRING CHARGES

- a. Water service connection charge per
single-family equivalent: \$100.00
- b. Plant Impact fee per single-family
equivalent: \$400.00

The nonrecurring charges listed above are minimum charges and apply even if the equivalency rating of a non residential customer is less than one (1). If the equivalency rating of a non residential customer is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the water system is requested.

3. ACCOUNT SET-UP AND RECONNECTION CHARGES

- a. Customer Account Charge: A fee of \$25 shall be charged as a one-time fee to defray the costs of initiating service.
- b. Reconnection Charges: In addition to any other charges that may be due, a reconnection fee of \$35 shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R.103-532.4. The amount of the reconnection fee shall be in accordance with R.103-532.4 and shall be changed to conform with said rule as the rule is amended from time to time. Customers who ask to be reconnected within nine months of disconnection will be charged the monthly base facility charge for the service period they were disconnected. The reconnection fee shall also be due prior to reconnection if water service has been disconnected at the request of the customer.

4. Billing Cycle

Recurring charges will be billed bimonthly in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

5. Late Payment Charges

Any balance unpaid within twenty-five (25) days of the billing date shall be assessed a late payment charge of one and one-half percent (1 1/2 %) for each month, or any part of a month, that said payment is late.

6. Tax Multiplier

Except as otherwise provided by contract approved by South Carolina Public Service Commission, amounts paid or transferred to the utility by customers, builders, developers or others, either in the form of cash or property, shall be increased by a cash payment in an amount equal to the income taxes owed on the cash or property transferred to the utility by customers, builders, developers, or others and properly classified as a contribution or advance in aid of construction in accordance with the Uniform System of Accounts. Included in this classification are water service connection charges and plant impact fees.

7. Construction Standards

The Utility requires all construction to be performed in accordance with generally accepted engineering standards, at a minimum. The Utility from time to time may require that more stringent construction standards be followed.

8. Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to connect to its water system. However, anyone or entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, pay the appropriate fees and charges as set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service, unless water supply is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has restricted the Utility from adding for any reason additional customers to the serving water system. In no event will the Utility be required to construct additional water supply capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for payment of all costs associated with adding water supply capacity to the affected water system.